

INTERNSHIP REPORT

ON

SUMMIT POWER LIMITED

[SPL]



INTERNSHIP REPORT ON
THE ANALYSIS OF FINANCIAL PERFORMANCE OF
SUMMIT POWER LIMITED [SPL]

Submitted To

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LETTER OF TRANSMITTAL

25th April, 2015

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Subject: Submission of Internship Report.

Dear Ma'am,

With a great pleasure, I am submitting the report on the “The Analysis Of Financial Performance Of Summit Power Limited [SPL]” which has been done as the main part of the requirement of the report under your careful supervision.

While doing my internship, I had the opportunity to meet all employees in the head office. Almost each of the people I came across had been very helpful. Particularly, my supervisor - S.M. Shafiul Maznabin sir was simply one of a kind.

I would really be grateful if you share your precious thoughts regarding the report. Also, if you wish to have further clarification about any aspect of my report, I would gladly answer your queries with further explanation. Thank you again for your support and patience.

Sincerely,

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ACKNOWLEDGEMENT

Without the help of others, one individual can do no work. In every step of this report, many individuals and institutional experts helped me. It gives us an immense pleasure to acknowledge them with my gratitude

At first I express my deep gratitude and sincere thanks to The Almighty for providing me enough strength to make this report a success. Then I would like to thank my honorable internship instructor “Sohana Wadud Ahmed” for asking me to prepare this report and for providing me proper guidance to work on this company analysis. It is an opportunity for me to translate into action my academic educations and skills and prove my worth in the preparation of the report confidently. I gathered a lot of knowledge and information and practical experience while working on it. My heartiest gratitude to my instructor for her valuable advice and time that she gave me, which helped me complete this company analysis.

I am very grateful to my supervisor - S.M. Shafiul Maznabin sir, the senior assistant deputy manager (accounts) of Summit Power Limited, under whom I completed my internship program and all the employees of SPL, for their hearty co-operation in the learning process about Summit Power Limited. I would convey my thanks to all the employees for their beloved manners and attitudes shown to me during the program.

Last of all I would like to express my thanks to the authors, researchers, article writers whose books and articles I consulted and friends who helped me in every stage of the report by providing valuable information and suggestion in respect of preparing this report.

EXECUTIVE SUMMARY

The electricity plays a vital role in underpinning the economic development of a country. In the backdrop of Financial Sector Reform Policy streamlining the country's economy, Summit Power Limited (SPL) has achieved great success in all areas of operations with ultimate objective of improving the socio-economic development of the country.

In this project I have talked about the financial performance of this independent power producing company. The background of the company, how it was established and where it stands now etc. information are given elaborately. After that, my working experience in SPL is included, a brief history of the last 3 months' working experience. In the main project part, firstly I talked about the procedures, the methods and limitations that I had to face during making this report, and then I have worked and analyzed how well they are performing, through calculating growth rates, some important financial ratios and trends of the last 5 years. Lastly I have added some recommendation based on the findings which I think might be useful of they can implement those ideas.

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CHAPTER 01

INTRODUCTION

INTRODUCTION

1.1 ORGANIZATION

Summit Power Limited (SPL), sponsored by Summit Industrial and Mercantile Corporation (SIMCL), is the first Bangladeshi Independent Power Producer (IPP) in private sector of Bangladesh which is providing power to national grid. SPL was incorporated in Bangladesh on March 30, 1997 as a Private Limited Company. On June 7, 2004 the Company was converted to Public Limited Company under the Companies Act 1994.

Summit Power Limited in 2001, has successfully established three power plants of 11 MW capacity each, for sale of electricity to Rural Electrification Board (REB) on Build, Own and Operate basis at Savar, Narsingdi and Comilla. During 2006 and 2007 in each of the above three places, 2nd unit was commissioned enhancing the capacity of SPL to 105 MW. In 2009 SPL with its 99% owned two subsidiaries has established 4 new power plants raising its capacity to 215 MW. In 2011 SPL has commissioned another power plant of 102 MW capacities at Narayanganj under Summit Narayanganj Power Limited, where SPL has 55% ownership.

1.2 SUMMIT POWER LIMITED AT A GLANCE

With a view to materialize the dream of the people of Bangladesh for receiving uninterrupted electricity, a group of highly successful entrepreneurs conceived an idea of floating a power production company styled as “Summit Power Limited” which is named as a desire that the company will grow to the highest peaks of the world. The sponsors are reputed personalities in the field of trade & commerce, industry and finance.

“Summit Power Limited” offers the full range of power production facility. There is no diversification of services as it is solely an independent power production company. The company is being managed by a group of highly experienced professionals with diversified experience in finance and managing. The Management of the company constantly looks after



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customers' satisfaction and believes that a satisfied customer is a great Ambassador. The company has already achieved tremendous progress within only eight years. The company has already ranked as one of the quality power producers & is known for its reputation. It offers the full range of power production services for government, covering all segments of society within the framework of public companies Act and rules and regulations laid down by our government.

By now, the company established correspondent relationship with 18 Banks covering their global network of 385 branches/units of International repute at different important locations. It also established accounting relationship with 10 Banks and maintaining 60 Accounts in 3 (three) major Currencies at different convenient locations.

The Board of Directors of the company consists of reputed Industrialists and Businessmen who are successful in their respective fields headed by Mr. Muhammed Aziz Khan, the Chairman of the Board who is an eminent Industrialist & reputed businessman in Bangladesh and founder president of Bangladesh Energy Companies Association (BECA). The Board generally deals with policy matters relating to management of Business and sets goal for the growth & development of the company as a whole, review of the same from time to time and gives necessary guidance to the management.

The company is managed by a Team of professional Executives and Officials having profound knowledge & expertise in different areas of management and operation of the company.

During the short span of time, Summit Power Limited has so far introduced a good number of power plants to broaden the resource base and develop the power sector of the country. Some more plants will be introduced gradually in near future suiting to the requirement of the clients, BPDB and REB. Since inception, The Company has been performing very well in the production of electricity.

All activities of the company including its power generation are mainly for different economic groups of Bangladesh.

1.3 VISION OF SPL

To provide quality & uninterrupted electricity to the vast majority of rural Bangladesh for their personal, social & economic development

1.4 MISSION OF SPL

- Empowering Bangladesh, we can & we will.
- To expand the company into a power generation capacity to the tune of 1000 MW which is 20% of the electricity requirement of Bangladesh.
- To and maintain that level of production

1.5 OBJECTIVES OF SPL

- Generate and provide uninterrupted reasonably priced electricity to our customers.
- Efficient utilization of capital, machines, material and human resources.
- Continuous improvement of customer satisfaction and resource management.

1.6 STRATEGIES OF SPL

The strategies of Summit Power Limited include:

- To strive for customers best satisfaction & earn their confidence.
- To manage & operate the company in the most effective manner.
- To identify customers need & monitor their perception towards meeting those requirements.



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- To review & update policies, procedures & practice to enhance the ability to extend better services to the customers.
- To train & develop all employees & provide them adequate resources so that the customer's needs are reasonably addressed.
- To promote organizational efficiency by communicating company plans, policies & procedure openly to the employees in a timely fashion.
- To cultivate a congenial working environment.

1.7 MOTTO OF SPL

The motto of Summit Power Limited is “Empowering Bangladesh: We can and we will.”

1.8 SOCIAL WELFARE ACTIVITIES

With a view to providing financial assistance to the poor and needy people of the society and also for the welfare of the community, to this perspective, company has a very high contribution in donation with the objective to provide health care, relief and rehabilitation, education, humanitarian of winter clothes during the winter etc.

1.9 BUSINESS ACTIVITIES OF SPL

Summit Power Limited produces electricity of 317 MW through its eight existing power plants. The company has a desire to tune it up to 1000 MW with three more plants. The production of 1000 MW electricity will cover the 20% need of the total need of electricity of the country.

1.9.1 SUMMIT POWER LIMITED PROJECTS

ASHULIA POWER PLANT

This project was set up to provide electricity for Dhaka PalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB). After signing expansion agreements with REB and GoB, Summit Power has increased this plant's capacity by 33.75 MW with the total output being 45 MW.

NARSINGDI POWER PLANT

This project was set up to provide electricity for NarsingdiPalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB). After signing expansion agreements with REB and GoB, Summit power has increased this plant's capacity by 24.30 MW with the total output being 35 MW.

COMILLA POWER PLANT

This project was set up to provide electricity for ComillaPalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB).

After signing expansion agreements with REB and GoB, Summit power has increased this plant's production capacity by 13.50 MW with the total output being 25 MW.

1.9.2 SUMMIT UTTARANCHOL POWER COMPANY LIMITED PROJECTS

ULLAPARA POWER PLANT

This project was set up to provide electricity for SirajganjPalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB). The total output being 11 MW.

MAONA POWER PLANT

This project was set up to provide electricity for Maymensingh and GazipurPalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB). The total output being 33 MW.

1.9.3 SUMMIT PURBANCHOL POWER COMPANY LIMITED PROJECTS

JANGALIA POWER PLANT

This project was set up to provide electricity for Comilla Grid Substation under 15-years Power Purchase Agreement (PPA) with Bangladesh Power Development Board (BPDB). An implementation agreement has also been signed with the government of Bangladesh (GoB). The total output being 33 MW.

RUPGANJ POWER PLANT

This project was set up to provide electricity for NarayanganjPalliBidyutSamity under 15-years Power Purchase Agreement (PPA) with Rural Electrification Board (REB). An implementation agreement has also been signed with the government of Bangladesh (GoB). The total output being 33 MW.

1.9.4 SUMMIT NARAYANGANJ POWER LIMITED PROJECT

MADANGANJ POWER PLANT

This project was set up to provide electricity to Bangladesh Power Development Board (BPDB) under Build, Own and Operate (BOO) basis using Heavy Fuel Oil (HFO). The entire generated electricity will be sold to BPDB. The total output being 102 MW.

1.10 DEPARTMENTS

The head office of Summit Power Limited is run through 6 different departments. These departments are

- | | |
|----------------------------|----------------------------|
| I. Admin & HR department | IV. Development Department |
| II. Accounts Department | V. IT department |
| III. Commercial Department | VI. Training Department |

I. ADMIN & HR DEPARTMENT

Admin and HR department handles the recruiting of new employees and other daily administrative activities.

II. ACCOUNTS DEPARTMENT

Accounts department handles the daily cash transactions, receives cheques from the customers and provides cheques to the suppliers of different items.

III.COMMERCIAL DEPARTMENT

Commercial department generally handles LC opening and other LC related stuff. They are the key department for importing any parts of the engines or importing engines from abroad for operation.

IV.DEVELOPMENT DEPARTMENT

Development department works for new projects or for development of existing project. They make bidding proposal when there is any new project and submits the proposal to the government to get the project.

V.IT DEPARTMENT

IT department maintains and operates the websites of the company over the internet. They keep the website up to date with the operations of the company. Whenever there is new news or information, it is uploaded in the website by IT department.

VI.TRAINING DEPARTMENT

Generally training is conducted by Admin & HR department in other companies but in Summit Power Limited has an individual department that handles the training activities of different employees according to the need.

1.11 Hierarchy of SPL

CHAIRMAN

VICE CHAIRMAN

MANAGING DIRECTOR (MD)

DIRECTORS

DEPUTY MANAGING DIRECTOR (DMD)

FINANCIAL CONTROLLER (FC)

GENERAL MANAGER (GM)

DEPUTY GENERAL MANAGER (DGM)

MANAGER

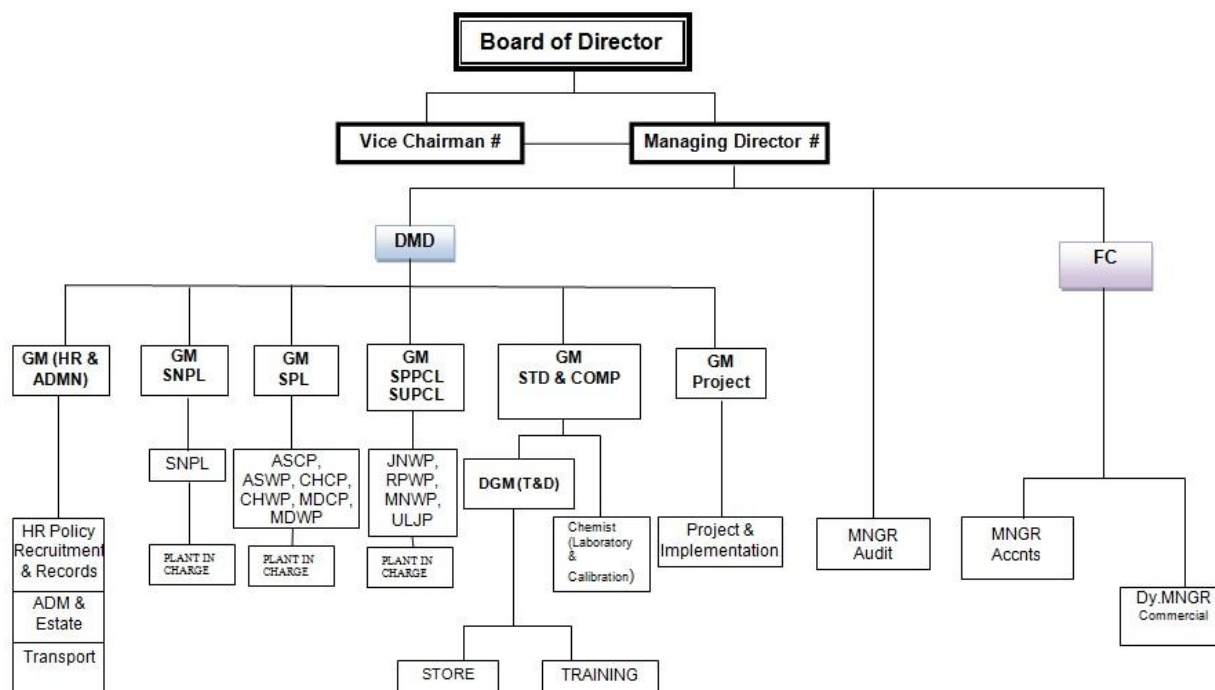
DEPUTY MANAGER

ASSISTANT MANAGER

EXECUTIVE

ASSISTANT EXECUTIVE

1.12 OPERATIONAL NETWORK ORGANOGRAM



CHAPTER 02

MY WORKING EXPERIENCE AT SPL

MY WORKING EXPERIENCE AT SPL

2.1 WORK EXPERIENCE AT SUMMIT POWER LIMITED

My internship program in Summit Power Limited has taught me more than I could imagine. As I was having my internship in accounts department, I feel my duties were diverse and more changing. Sometimes it was hard to work, as it was a new environment for a learner like me. However, all the employees were generous and helpful in providing information, specially my supervisor, Mr. S.M. Shafiul Maznabin. Sometimes it is tough to recall all the lessons I have learned for the last 3 months, but I feel those were some of the most beneficial lessons I have ever learned.

2.2 LESSONS LEARNED FROM THE INTERNSHIP PROGRAM

One of the most valuable workplace lessons that I got from here is patience. We know that it takes some time to get to know a person's role within an organization, and it takes even more time to understand other people's working styles. Therefore, I managed to cope up with the corporate culture and the process of Summit Power Limited with the help of my supervisor. There were too many works regarding writing papers, using Microsoft word& excel, which has helped me to improve my writing skills. Gradually, this has helped me to complete the tasks that were given, within specific period of time. Furthermore, I have developed my communication skills, learned the ways to interact with the employees. Just by observing the everyday events has taught me more about teamwork, and how people can come together to get things done.

2.3 DAILY ACTIVITIES

During the internship program, I have performed various kinds of responsibilities. As I was working in the accounts section, I was obligated to maintain the cash and expenses of major four power plants (SPL, SPPCL, SUPCL& SNPL). Maintaining cash and expenses are done by preparing journal, clearing out vouchers and as well as software entry in the server of accounts dept. All these works are also checked and double checked by my supervisor, to see if I was making any mistakes or not. Finally, all the works are also checked by Financial Controller sir for the final confirmation. Apart from all these, I have participated in preparing annual reports in association with the MD, FC and other bodies. I also have participated with the organizing team of EGM to ensure it as a successful and peaceful ceremony.

2.4 ROLE OF MY SUPERVISOR

Usually the supervisor understands the organization and the employee's profession better. Consequently, the supervisor is in a unique position to give ongoing advice to the internee about job and career. The internee can look to the supervisor as a model for direction and development. An effective mentor-mentee relationship requires the supervisor to accept the responsibility of mentorship. A good supervisor can be a priceless addition to the career of an employee. My supervisor is not any different than usual. He used to monitor my daily work, checks every data entries I made, Checks every vouchers I solve. At the end of the day, he also gives me feedbacks about my works and takes a report for himself. Throughout the entire time he tried to help me to get things done if I am not capable of doing those. Besides, he also used to share his insights and educate me about how the day to day works, projects and tasks are done, so that I can learn more about Summit Power Limited.

CHAPTER 03

THE PROJECT

THE PROJECT

3.1 INTRODUCTION TO THE REPORT

The importance of electricity for the economic development of Bangladesh has received so much attention in the recent times that efforts from all quarters are now concentrated as to what can be done to improve the current power crisis. Failure in the generation of electricity in the past years due to poor planning and inappropriate utilizing of the already generated electricity has been the key impediment in the development of the energy sector of Bangladesh.

As part of the government's initiative to increase the generation of electricity in the country and to solve the reeling power crisis, the purchase committee of the government has recently approved proposals of five lowest bidders to generate over 200 Megawatts (MW) of electricity across the country for installation of power plants in the private sector.

3.2 OBJECTIVES OF THE REPORT

Every study should be equipped with some objectives. Here the following objectives, which were considered to carry out the report. These objectives are as follows but not limited to these only –

1. Assessment Of Past Performance

Past performance is a good indicator of future performance. Investors or creditors are interested in the trend of past sales, cost of goods sold, operating expenses, net income, cash flows and return on investment. These trends offer a means for judging management's past performance and are possible indicators of future performance.

2. Assessment of current position

Financial statement analysis shows the current position of the firm in terms of the types of assets owned by a business firm and the different liabilities due against the

enterprise.

3. Prediction of profitability and growth prospects

Financial statement analysis helps in assessing and predicting the earnings prospects and growth rates in earning which are used by investors while comparing investment alternatives and other users in judging earning potential of business enterprise.

4. Prediction of bankruptcy and failure

Financial statement analysis is an important tool in assessing and predicting bankruptcy and probability of business failure.

5. Assessment of the operational efficiency

Financial statement analysis helps to assess the operational efficiency of the management of a company. The actual performance of the firm which are revealed in the financial statements can be compared with some standards set earlier and the deviation of any between standards and actual performance can be used as the indicator of efficiency of the management.

3.3 SCOPE OF THE REPORT

This report has been prepared based on Power sector business considering over all power sector condition of Bangladesh. This study makes attempt to cover but not limited to the Financial Area of Summit Power Limited. An effort to depict the overall performance (Financial and Non-financial) has been made to make the report a comprehensive one.

3.4 LIMITATIONS OF THE REPORT

Instead of a lot of effort and co-operations some limitations were faced in the study and preparation of the report some of such limitations are noted bellow:

1. Lack of time

The time period of this study was not sufficient. Within this period there were some vacations, which make the time shorter. Actually I got only 35 working days to complete the study, which was not sufficient.

2. Insufficient Data

Sufficient data is the precondition of preparing good report. Data was there but scattered. No one has sufficient time to accumulate the data or provide the data.

3. Lack of support

Employees were cordial but they were too much busy. They had the intention to support me but due to business always they could not able to support me when and where it required.

4. Other limitations

Besides these there are some other limitations like sickness, management problems, huge pressure etc. towards the stuff make the study vulnerable.

3.5 METHODOLOGY OF THE REPORT

The methodology of the report is divided into two parts as stated bellow:

1. Sources of data

Two types of information sources have been used in achieving the specific objectives of the study. These two sources are as follows:

- **Primary sources**
- **Secondary sources**

2. Methods of collecting data

Primary data have been collected by interviewing the Manager and respective personnel and secondary data have been collected through monthly, half yearly and annual report.

Primary and secondary data have been used considering the year 2008.

3.6 DATA COLLECTION

A. Primary Data

In this regards, primary data was collected by interviewing personnel from different departments. Sometimes, different personnel from the customers (Bangladesh Power Development Board - BPDB) were also interviewed.

B. Secondary Data

Different Finance and Accounting books, journals, annual reports and websites were used for Secondary data collection. Some publications from the Government and other parties were great interests.

CHAPTER 04

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Financial Highlights of the year

	2013	2012	2011	2010	2009
OPERATING DATA					
(Taka in million)					
Turnover	6,191.92	5,892.63	4,757.21	3,601.67	2,849.87
Cost of Sales	2,373.94	2,268.69	1,929.60	1,678.83	1,339.84
Gross Profit	3,817.98	3,623.94	2,827.61	1,922.84	1,510.03
General & Admin Expenses	592.57	506.81	366.46	267.88	258.41
Operating Profit	3,311.93	3,128.71	3,295.09	1,663.73	1,146.96
Interest & Financial Charges	529.83	698.93	407.85	642.98	558.91
Net Profit Attributable to Owners	2,184.86	1,873.47	2,511.15	1,087.52	698.52
Balance Sheet data					
(Taka in million)					
Paid up Capital	5,915.40	4,929.50	3,943.60	3,033.54	2,223.94
Shareholders' Equity	13,875.26	11,390.11	10,235.33	8,304.02	4,352.97
Total Debt (NCL)	2,887.27	4,128.89	5,988.61	2,370.16	4,430.00
Current Assets	5,151.77	5,045.02	2,939.69	2,285.23	1,174.00
Current Liabilities	2,028.68	2,326.09	2,235.02	3,832.15	1,326.00
Total Assets	22,035.18	21,230.61	20,031.29	14,566.61	10,121.06
Total Liabilities	4,915.95	6,454.98	8,223.63	6,202.31	5,756.00
Other data					
Earnings per share (Taka)	3.69	3.8	5.09	3.96	3.14
Stock dividend (%)	15	20	25	30	25
Total no of shares outstanding	591,540,246	492,950,205	394,360,164	303,353,973	222,393,600
Weighted average no of shares outstanding	591,540,246	492,950,205	394,360,164	286,445,991	222,393,600
Total no of sponsors shares under lock in	303,875,129	253,229,274	202,583,419	155,833,400	124,666,720
Total no of free float shares	287,665,117	239,720,931	191,776,745	147,520,573	97,726,880
ROCE (%)	14.14	13.55	15.59	11.65	9.7
EBITDA (Million Taka)	3,899.79	3,655.95	3,761.78	1,994.01	846.48

4.1 TURNOVER/ REVENUE

In business, turnover or revenue is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. Some companies receive revenue from interest, royalties, or other fees. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time. Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, revenue is often referred to as the "top line" due to its position on the income statement at the very top. This is to be contrasted with the "bottom line" which denotes net income.

In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency. Revenue is a crucial part of financial statement analysis. A company's performance is measured to the extent to which its asset inflows (revenues) compare with its asset outflows (expenses). Net Income is the result of this equation, but revenue typically enjoys equal attention during a standard earnings call. If a company displays solid "top-line growth," analysts could view the period's performance as positive even if earnings growth, or "bottom-line growth" is stagnant. Conversely, high net income growth would be tainted if a company failed to produce significant revenue growth. Consistent revenue growth, if accompanied by net income growth, contributes to the value of an enterprise and therefore the stock price.

Revenue is used as an indication of earnings quality. There are several financial ratios attached to it, the most important being gross margin and profit margin. Also, companies use revenue to determine bad debt expense using the income statement method.

Year	Turnover	Growth
2008	1738	
2009	2850	64%
2010	3602	26%
2011	4757	32%
2012	5893	24%
2013	6192	5%

Fig: The comparative growth of revenue by year

4.2 GROSS PROFIT

In accounting, gross profit or sales profit is the difference between revenue and the cost of making a product or providing a service, before deducting overhead, payroll, taxation, and interest payments. This is different from operating profit (earnings before interest and taxes). The various deductions (and their corresponding metrics) leading from Net sales to Net income are as follow:

Net sales = Gross sales - (Customer Discounts, Returns, Allowances)

Gross profit = Net sales - Cost of goods sold

Year	Gross Profit	Growth
2008	943.77	
2009	1510.03	60%
2010	1922.84	27%
2011	2827.61	47%
2012	3623.94	28.16%
2013	3817.98	5.35%

Fig: The comparative growth of gross profit by year

4.3 NET PROFIT

Net profit is referred to as the bottom line, net income, or net earnings is a measure of the profitability of a venture after accounting for all costs. In accounting, net profit is equal to the gross profit minus overheads minus interest payable for a given time period (usually: accounting period).

In simplistic terms, net profit is the money left over after paying all the expenses of an endeavor. In practice this can get very complex in large organizations or endeavors. The bookkeeper or accountant must itemize and allocate revenues and expenses properly to the specific working scope and context in which the term is applied.

How does a company decide whether it is successful or not, is probably the most common way is to look at the net profits of the business. Given that companies are collections of projects and markets, individual areas can be judged on how successful they are at adding to the corporate net profit.

To calculate net profit for a venture, subtract all costs, including a fair share of total corporate overheads, from the gross revenues or turnover.

$$\text{Net profit} = \text{Sales revenue} - \text{Total costs}$$

Year	Net Profit	Growth
2008	460.21	
2009	698.52	52%
2010	1087.52	56%
2011	2511.15	131%
2012	1873.47	-25.39%
2013	2184.86	16.62%

Fig: The comparative growth of net profit by year

4.4 TOTAL ASSETS

An asset is a resource controlled by the entity as a result of past events or transactions (verification needed) and from which future economic benefits are expected to flow to the entity.

In financial accounting, assets are economic resources. Anything tangible or intangible that is capable of being owned or controlled to produce value and that is held to have positive economic value is considered an asset. Simply stated, assets represent value of ownership that can be converted into cash (although cash itself is also considered an asset).

The balance sheet of a firm records the monetary value of the assets owned by the firm. It is money and other valuables belonging to an individual or business. Two major asset classes are tangible assets and intangible assets. Tangible assets contain various subclasses, including current assets and fixed assets. Current assets include inventory, while fixed assets include such items as buildings and equipment. Intangible assets are nonphysical resources and rights that have a value to the firm because they give the firm some kind of advantage in the market place.

In the financial accounting sense of the term, it is not necessary to be able to legally enforce the asset's benefit for qualifying a resource as being an asset, provided the entity can control its use by other means. The accounting equation relates assets, liabilities, and owner's equity:

$$\text{Assets} = \text{Liabilities} + \text{Stockholder's Equity (Owner's Equity)}$$

$$\text{Assets} = \text{liabilities} + \text{Capital}$$

$$\text{liabilities} = \text{Assets} - \text{Capital}$$

$$\text{Capital} = \text{Assets} - \text{liabilities}$$

Year	Total Assets	Growth
2008	6707.12	
2009	10121.06	51%
2010	14566.61	44%
2011	20031.29	38%
2012	21230.61	6%
2013	22035.18	4%

Fig: The comparative growth of Total Assets by year

4.5 OPERATING EXPENSES

Operating Expenses is a category of expenditure that a business incurs as a result of performing its normal business operations. One of the typical responsibilities that management must contend with is determining how low operating expenses can be reduced without significantly affecting the firm's ability to compete with its competitors.

In business, an operating expense is a day-to-day expense such as sales and administration, or research & development, as opposed to production, costs, and pricing. In short, this is the money the business spends in order to turn inventory into throughput.

On an income statement, "operating expenses" is the sum of a business's operating expenses for a period of time, such as a month or year.

In TOC, operating expense is limited to costs that vary strictly with the quantity produced, like raw materials and purchased components. Everything else is a fixed cost, including labor (unless there is a regular and significant chance that workers will not work a full-time week when they report on its first day).

In a real estate context, operating expenses include costs associated with the operation and maintenance of an income-producing property.

Year	Operating Expenses	Growth
2008	791.93	
2009	1339.84	69.19%
2010	1678.83	25.30%
2011	1929.60	14.94%
2012	2268.69	17.57%
2013	2373.94	4.64%

Fig: The growth of Operating Expenses in percentage by year

4.6 PAID-UP CAPITAL

The amount of a company's capital that has been funded by shareholders is called Paid-up Capital. Paid-up capital can be less than a company's total capital because a company may not issue all of the shares that it has been authorized to sell. Paid-up capital can also reflect how a company depends on equity financing.

It is the total amount of shareholder capital that has been paid in full by shareholders or the amount of money that has been received by shareholders who have completely paid for their purchased shares. This would not include any shares that have been bid on, but not yet purchased.

In other words Paid-up or Subscribed capital is the amount of capital (out of authorized capital) for which company has received applications from the general public who are interested in buying shares. If this term is too technical to be understood then subscription is simply an application in which investors expresses his interest to buy shares in the company. Usually only that much shares are subscribed which company intends to issue later. But sometimes, if company is in good shape then more and more people will be interested in buying shares and in this case over-subscription will be the result. But if company's financial position is not sound or due to other factors it may be possible that subscriptions are received for lesser then intended shares in which case there will be under-subscription.

Year	Paid up Capital	Growth
2008	1853.28	
2008	2223.94	20.00%
2010	3033.54	36.40%
2011	3943.60	30.00%
2012	4929.50	25.00%
2013	5915.40	20.00%

Fig: The growth of Paid-up Capital in percentage by year

4.7 CURRENT ASSET

In accounting, a current asset is an asset which can either be converted to cash or used to pay current liabilities within 12 months. Typical current assets include cash, cash equivalents, short-term investments, accounts receivable, inventory and the portion of prepaid liabilities which will be paid within a year. On a balance sheet, assets will typically be classified into current assets and long-term assets.

A balance sheet account that represents the value of all assets that are reasonably expected to be converted into cash within one year in the normal course of business is Current Asset. Current assets include cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash. In personal finance, current assets are all assets that a person can readily convert to cash to pay outstanding debts and cover liabilities without having to sell fixed assets.

According to the IFRS Current assets include – Current inventories, Trade and other current receivables, Current tax assets, Current biological assets, Other current financial assets, Other current non-financial assets, Cash and cash equivalents and so on.

It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; it holds the asset primarily for the purpose of trading; it expects to realize the asset



within twelve months after the reporting period; or the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Year	Current Asset	Growth
2008	642.55	
2009	1174.00	82.71%
2010	2285.23	94.65%
2011	2939.69	28.64%
2012	5045.02	71.62%
2013	5151.77	2.12%

Fig: The growth of Current Assets in percentage by year

4.8 CURRENT LIABILITY

Company's debts or obligations those are due within one year. Current liabilities appear on the company's balance sheet and include short term debt, accounts payable, accrued liabilities and other debts.

In accounting, current liabilities are often understood as all liabilities of the business that are to be settled in cash within the fiscal year or the operating cycle of a given firm, whichever period is longer. A more complete definition is that current liabilities are obligations that will be settled by current assets or by the creation of new current liabilities.

The proper classification of liabilities provides useful information to investors and other users of the financial statements. It may be regarded as essential for allowing outsiders to consider a true picture of an organization's fiscal health.

One application is in the current ratio, defined as the firm's current assets divided by its current liabilities. A ratio higher than one means that current assets, if they can all be converted to cash, are more than sufficient to pay off current obligations. All other things equal, higher values of this ratio imply that a firm is more easily able to meet its obligations in the coming year.

Year	Current Liabilities	Growth
2008	736.58	
2009	1326.00	80.02%
2010	3832.15	189.00%
2011	2235.02	-41.68%
2012	2326.09	4.1%
2013	2028.68	-12.8%

Fig: The growth of Current Liabilities in percentage by year

4.9 SHAREHOLDERS EQUITY

A firm's total assets minus its total liabilities are the Shareholders' Equity. Equivalently, it is share capital plus retained earnings minus treasury shares. Shareholders' equity represents the amount by which a company is financed through common and preferred shares.

In accounting and finance, equity is the residual claim or interest of the most junior class of investors in assets, after all liabilities are paid. If liability exceeds assets, negative equity exists. In an accounting context, Shareholders' equity (or stockholders' equity, shareholders' funds, shareholders' capital or similar terms) represents the remaining interest in assets of a company, spread among individual shareholders of common or preferred stock.



At the start of a business, owners put some funding into the business to finance operations. This creates a liability on the business in the shape of capital as the business is a separate entity from its owners. Businesses can be considered, for accounting purposes, sums of liabilities and assets; this is the accounting equation. After liabilities have been accounted for, the positive remainder is deemed the owner's interest in the business.

This definition is helpful in understanding the liquidation process in case of bankruptcy. At first, all the secured creditors are paid against proceeds from assets. Afterward, a series of creditors, ranked in priority sequence, have the next claim/right on the residual proceeds. Ownership equity is the last or residual claim against assets, paid only after all other creditors are paid. In such cases where even creditors could not get enough money to pay their bills, nothing is left over to reimburse owners' equity. Thus owners' equity is reduced to zero. Ownership equity is also known as risk capital or liable capital.

Year	Shareholder's Equity	Growth
2008	3654.44	
2009	4352.97	19.11%
2010	8304.02	90.77%
2011	10235.33	23.26%
2012	11390.11	11.28%
2013	875.26	-92%

Fig: The growth of Shareholders' Equity in percentage by year

CHAPTER 05

FINANCIAL RATIO

ANALYSIS

FINANCIAL RATIO ANALYSIS

When it comes to investing, analyzing financial statement information (also known as quantitative analysis), is one of, if not the most important element in the fundamental analysis process. At the same time, the massive amount of numbers in a company's financial statements can be bewildering and intimidating to many investors. However, through financial ratio analysis, one will be able to work with these numbers in an organized fashion.

Among the dozens of financial ratios available, some measurements those are the most relevant to the investing process are organized as per the following list -

- | | |
|---------------------------|-------------------------|
| A) Current Ratio | E) Earnings Per Share |
| B) Profit Margin Analysis | F) Return On Equity |
| C) Return On Assets | G) Price Earnings Ratio |
| D) Debt-Equity Ratio | |

5.1 CURRENT RATIO

The current ratio is a popular financial ratio used to test a company's liquidity (also referred to as its current or working capital position) by deriving the proportion of current assets available to cover current liabilities. The concept behind this ratio is to ascertain whether a company's short-term assets (cash, cash equivalents, marketable securities, receivables and inventory) are readily available to pay off its short-term liabilities (notes payable, current portion of term debt, payables, accrued expenses and taxes). In theory, the higher the current ratio, the better.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Particulars	2013	2012	2011	2010	2009
Current Ratio	2.54	2.17	1.32	0.60	0.89



As we can see that since 2011 the current ratio of Summit Power Limited increased significantly which implies a healthy liquidity of the company as it expands. It is to be noted that in 2010 the ratio declined as there were heavy investment in 2010 on Summit's Narayanganj Plant.

5.2 PROFIT MARGIN ANALYSIS

In the income statement, there are four levels of profit or profit margins - gross profit, operating profit, pretax profit and net profit. The term "margin" can apply to the absolute number for a given profit level and/or the number as a percentage of net sales/revenues. Profit margin analysis uses the percentage calculation to provide a comprehensive measure of a company's profitability on a historical basis (3-5 years) and in comparison to peer companies and industry benchmarks. Basically, it is the amount of profit (at the gross, operating, pretax or net income level) generated by the company as a percent of the sales generated. The objective of margin analysis is to detect consistency or positive/negative trends in a company's earnings. Positive profit margin analysis translates into positive investment quality. To a large degree, it is the quality, and growth, of a company's earnings that drive its stock price.

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Net Sales (Revenue)}}$$

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Net Sales (Revenue)}}$$

Particulars	2013	2012	2011	2010	2009
Gross profit margin	61.66	61.50	59.44	53.39	52.98
Net profit margin	30.87	20.47	52.79	30.19	24.59



Over past five years the gross profit margin has been increased significantly. Even though the company had some big expansions but the both gross profit remain consistently increasing. Form 2007 the margins (Gross Profit Margins and Net Profit Margins) were respectively 51.07 and 23.33 and up to 2011 it grew up to 59.44 and 52.79 respectively.

5.3 RETURN ON ASSETS

This ratio indicates how profitable a company is relative to its total assets. The return on assets (ROA) ratio illustrates how well management is employing the company's total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base. The ROA ratio is calculated by comparing net income to average total assets, and is expressed as a percentage.

Some investment analysts use the operating-income figure instead of the net-income figure when calculating the ROA ratio.

As a rule of thumb, investment professionals like to see a company's ROA come in at no less than 5%. Of course, there are exceptions to this rule. An important one would apply to banks, which strive to record an ROA of 1.5% or above.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

Particulars	2013	2012	2011	2010	2009
Return on asset	12.84	11.71	12.54	7.47	6.90

Since 2009 the Return on Asset of Summit Power Limited was more than 5%, which is exactly 6.90% in 2009. Over the year it has been increased up to 12.84% . This indicates the effective and efficient utilization of the assets of the company by the management. This ratio is crucial for Summit Power Limited, because the company is heavily machine intensive company or asset oriented company. The plants of the company cost few million dollars each.

5.4 DEBT-EQUITY RATIO

The debt-equity ratio is another leverage ratio that compares a company's total liabilities to its total shareholders' equity. This is a measurement of how much suppliers, lenders, creditors and obligors have committed to the company versus what the shareholders have committed.

To a large degree, the debt-equity ratio provides another vantage point on a company's leverage position, in this case, comparing total liabilities to shareholders' equity, as opposed to total assets in the debt ratio. Similar to the debt ratio, a lower the percentage means that a company is using less leverage and has a stronger equity position.

$$\text{Debt – Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$$

Particulars	2013	2012	2011	2010	2009
Debt Equity Ratio	28.21%	42.86%	69.49%	72.41%	127.27%

From the table above we can see that the most of the years of last five years the shareholders had more money invested in the company than the creditor. In 2009 the company's liability suppressed the equity but the management skillfully managed it in later years. Finally, 69% of the equity amount remained as liability in 2011.

5.5 EARNING PER SHARE

The portion of a company's profit allocated to each outstanding share of common stock. Earnings-per-share serves as an indicator of a company's profitability.

When calculating, it is more accurate to use a weighted average number of shares outstanding over the reporting term, because the number of shares outstanding can change over time. However, data sources sometimes simplify the calculation by using the number of shares outstanding at the end of the period.

Diluted EPS expands on basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number. Earnings-per-share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

$$\text{Earning Per Share} = \frac{\text{Net Profit}}{\text{Weighted Average Common Shares}}$$

Particulars	2013	2012	2011	2010	2009
E.P.S	1.72	1.40	3.96	2.06	2.12

5.6 RETURN ON EQUITY

Return On Equity - ROE is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. ROE is expressed as a percentage. The higher the ratio percentage, the more efficient management is in utilizing its equity base and the better return is to investors.

So a return on 1 means that every dollar of common stockholders' equity generates 1 dollar of net income. This is an important measurement for potential investors because they want to see how efficiently a company will use their money to generate net income.

ROE is also an indicator of how effective management is at using equity financing to fund operations and grow the company.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$



Particulars	2013	2012	2011	2010	2009
Return on Equity %	16.58	16.83	27.28	17.78	12.67

5.7 PRICE EARNINGS RATIO

Price-Earnings Ratio - P/E Ratio is a valuation ratio of a company's current share price compared to its per-share earnings. PS is usually from the last four quarters (trailing P/E), but sometimes it can be taken from the estimates of earnings expected in the next four quarters (projected or forward P/E). A third variation uses the sum of the last two actual quarters and the estimates of the next two quarters. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. The P/E is sometimes referred to as the "multiple", because it shows how much investors are willing to pay per dollar of earnings.

$$\text{Price – Earnings Ratio} = \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

Particulars	2013	2012	2011	2010	2009
Price Earnings Ratio	9.91	16.81	14.62	45.49	48.04

CHAPTER 06

TREND ANALYSIS

TREND ANALYSIS

The trend analysis of a company evaluates the financial information over some specific period of time. This is typically shown as a dollar amount change and a percentage change over years. The objective is to calculate and study the amount change and percent change from one period to the next. The percent change is calculated as follows:

$$\text{Percent change} = (\text{Current year amount} - \text{Base year amount}) \div \text{Base year amount}$$

Now, the trend analysis of six consecutive years and their interpretations are given below.

6.1 FOR THE YEAR 2009-2008

Trend analysis of year 2009 & 2008			
	2009	2008	Percentage
Revenue	1,698,858,945	1,737,787,805	-2.24%
Cost of sales	(828,093,888)	(791,926,625)	4.57%
Gross profit	870,765,057	945,861,180	-7.94%
General and administrative expenses	(170,217,837)	(152,628,564)	11.52%
Other income	2,684,105	2,973,226	-9.72%
Result from operating activities	703,231,325	796,205,842	-11.68%
Finance income	4,719,041	12,001,050	-60.68%
Finance expenses	(237,199,920)	(325,945,011)	-27.23%
Net financial cost	(232,480,879)	(313,943,961)	-25.95%
Profit for the year	470,750,446	482,261,881	-2.39%
*2008 is the base year			

Fig: Income Statement Trend Analysis for year 2009 & 2008

Here in 2008 and 2009, the given income statements were rather simple. The revenue they generated in 2009 is 2.24% less than what they generated in 2008. Their cost of sales



increased 4.57%, so as a result their gross profit decreased in 2009 by 7.94%. The general and administrative expenses increased 11.52% than the previous year, and including the other incomes, the result from all the operating activities decreased by 11.68%.

In general, their financial income and expenses both decreased over the year by 60.68% and 27.23% consecutively. Finally, by deducting the net financial costs from the result of the operating activities, we got the profit they generated, and it is 2.39% less than 2008, means even though they did not face any loss, but still their profit level got lower over one year.

6.2 FOR THE YEAR 2011-2010

Trend analysis of year 2011 & 2010			
	2011	2010	Percentage
Revenue	1,577,728,398	1,643,847,452	-4.02%
Cost of sales	(792,127,715)	(774,434,724)	2.28%
Gross profit	785,600,683	869,412,728	-9.64%
Other income, net	954,779,187	3,527,809	26964.37%
Operating expenses			
General and administrative expenses	(203,293,919)	(178,368,709)	13.97%
Operating profit	1,537,085,951	694,571,828	121.30%
Finance income, net	83,166,176	(104,627,521)	-179.49%
Profit before income tax	1,620,252,127	589,944,307	174.64%
Income tax expenses	(58,462,450)	0	
Profit after income tax	1,561,789,677	589,944,307	164.74%
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	(259,954,148)	26,742,641	-1072.06%
Total comprehensive income for the year	1,301,835,529	616,686,948	111.10%
*2010 is the base year			

Fig: Income Statement Trend Analysis for year 2011 & 2010

This data set shows that the revenue initially decreased by 4.02%. Cost of sales had an increase of 2.28%, means their cost increased a little bit. After that, the decrease in revenue and related increase in cost of sales resulted in a gross loss of 9.64%.



The increase in general and administrative expenses was 13.97%. Their massive increase in operating profit was 121.30%. After deducting the net income, we find that the profit before paying income tax is 174.64% which is tremendously higher than previous year.

After deducting the taxes and the net price of all the financial assets, there was an increase in the total comprehensive income of 111.10%, meaning their company was running smoothly without much of any ups and downs.

6.3 FOR THE YEAR 2013-2012

Trend analysis of year 2013 & 2012			
	2013	2012	Percentage
Revenue	2,329,514,069	2,102,821,595	10.78%
Cost of sales	(953,123,118)	(959,526,054)	-0.67%
Gross profit	1,376,390,951	1,143,295,541	20.39%
Other income, net	71,908,941	4,304,730	1570.46%
Operating expenses			
General and administrative expenses	(250,324,302)	(237,738,623)	5.29%
Operating profit	1,197,975,590	909,861,648	31.67%
Finance income, net	(182,058,352)	(221,730,685)	-17.89%
Profit before income tax	1,015,917,238	688,130,963	47.63%
Income tax expenses	0	0	
Profit after income tax	1,015,917,238	688,130,963	47.63%
Other comprehensive income			
Net change in fair value of available-for-sale financial assets	291,210,514	(718,694,729)	140.52%
Total comprehensive income for the year	1,307,127,752	(30,563,766)	4376.72%
*2012 is the base year			

Fig: Income Statement Trend Analysis for year 2013 & 2012

This analysis shows that the revenue increased by 10.78%. Cost of goods sold had a corresponding increase of 0.67%, means costs somewhat increased. Then again, the increase in revenue and related increase in cost of goods sold resulted in an increase in gross profit of 20.39%.



The increase in general and administrative expenses of 5.29% outpaced the increase revenue, resulting in an increase in operating profit of 31.67%. After deducting the net income, we find that the profit before paying income tax is 47.63% higher than previous year.

In 2012 we see there was a net loss at the end of the year, so they got tax shield over that year, means they did not have to give taxes for that year and the following year.

After that, the net worth of the financial assets increased 140.52% over one year, resulting in a large increase of the total comprehensive income of the year by 4376.72%, meaning they have successfully overcome their loss occurred in 2012.

CHAPTER 07

RECOMMENDATION

AND CONCLUSION

RECOMMENDATION AND CONCLUSION

7.1 RECOMMENDATION

Summit Power Limited is well-established company. Therefore, it is very tough to recommend on any aspect of the company. However, as it is the requirement of the report so I have come up with few recommendations, after conducting the research.

1. From the financial highlights of the company, we can see that the growth of revenue is decreasing comparatively every following year. This shows that the company's sales are decreasing dramatically over time. In addition to that, growth of gross profit, net profit, total assets, paid-up capital, current asset etc. is decreasing which means that the business is not expanding at all. At this point, in order to expand the business, the company is required to invest in new sustainable projects by increasing its equity and debt financing. In addition to that, company has already took its initiative of increasing its equity financing as there is 21.82% increase of equity in the year 2013 than 2012. At the same time, the company needs to find ways to reduce the cost of sales such as just-in-time delivery of products to reduce the cost of inventory or renegotiating contracts annually with the current suppliers. Almost always these discussions will result in lower cost of goods and increase of profit for the company.

2. From the financial ratio analysis, it is clearly visible that the gross profit margin is showing an increasing trend as the revenue for the company is not increasing that much over the year. Again, company's sales are not increasing that much compared to the increase of profit. For this reason, company increased their current ratio over time and decreased debt financing or less used the leverage in order to maintain a stronger equity position from any uncertainties. The company is taking less risk by using equity financing. It is high time to reconsider their financing decision as the company is having



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low P/E ratio which suggests that investors are expecting lower earnings growth in the future. The company can consider debt financing rather than depending on equity financing.

3. From the trend analysis of income statement of Summit Ltd., we can see that the company is having a fluctuating trend as in the year 2009, the profit for the company is showing a decreasing trend and again in the year 2011, the profit for the company is showing an increasing trend. The reason behind having a fluctuating trend is that the company has invested heavily in 2010 on Summit's Narayanganj Plant. The trend of increase of profit lasted in the following years as well as in the year 2013, a large increase of the total comprehensive income by 4376.72%, meaning they have successfully overcome their loss occurred in 2012. This shows a promising future for the company.

7.2 CONCLUSION

To conclude, it can be said that it was a lifetime experience for me to work in Summit Power Limited and gather knowledge from here. I have learned so many things practically throughout the entire internship program. I believe all these experience will help me in building a good career in future. All the reputation this company got from a comparatively short lifespan is all because of the discipline, hard work and strategies of the excellent authority they have. In this report, although there were some limitations of obtaining exact internal information but those are carefully taken under consideration so that they do not hamper the results of the research. Last but not the least, it can be said that the ultimate success comes by having great devotion, pledge and dynamic leadership of the management committee and summit will surely walk a long way in the future with their head held high and will continue supplying energy more than ever.

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